DEPARTMENT OF STATE INSTRUCTION

CONFIDENTIAL
(Security Classification)

DECLASSIFIED 1209

FOR DC USE ONLY

106 R

NO.: CA-345 July 13, 1955

SUBJECT: Libyan-American Reconstruction Commission

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY J.M.Razi DATE May 6,1982
EDS for EXEMPT. DATE
TS AUTH.
FA OTHER AUTHORITY
773.00-MSP/7-1355

TO: The American Embassy, TRIPOLI

RPTD INFO: American Embassy, BENGHAZI

JOINT STATE-ICA MESSAGE

Reference is made to Tripoli despatch 334 of May 17, 1955 and to the complete Minutes of the third meeting of LARC.

The American members of LARC are to be commended for their part in developing the plan to apportion its funds for capital development projects at full cost, but allocating actual cash only when needed, thereby freeing idle funds for immediate use on other projects essential to balanced development. With respect to the latter projects the Department and ICA assume that they will generally be of a "one shot" nature in order to minimize commitments against future funds.. With respect to the former (programmed) projects, it is assumed that the funds needed for continuing or completing those carrying over into a new fiscal year will be taken care of first in allocating the funds available for the new year. The procedure outlined appears sound provided that LARC keeps program allocation and total apportionment within limits of assured income as defined in paragraph 2, page 1, of Appendix 6 to the Minutes of the third meeting. The Department and ICA have no objection to LARC's considering and planning projects costing in excess of assured income, but such projects must be regarded as tentative and for implementation only as additional (to assured) funds become available. The Minutes of the third meeting reflect some uncertainty on this point.

For your information the Foreign Relations Committee Report on the Mutual Security Act of 1955 (page 20) states that Libyan Development Assistance and Technical Cooperation programs will, whenever appropriate, "be operated together to obtain maximum results." The arrangement under which LARC delegates authority to the Cooperative Services in the fields of Agriculture, Health, Education and Water Development is in general consistent with the intent of this Congressional Committee.

The Department

CONFIDENTIAL
(Security Classification)

DRAFTED BY: NEA/AF:JNGatch;DELonganecker: 7/8/55 FOA:ABoke:pkw

APPROVED BY: Leo G. Cyr

CLEARANCES:
S/MSA - Mr. Frechtling
ED - Mr. LaMacchia
Defense - Mr. Hancock
FOA--O/NEA/AFR:Moran; O/NEA:WLathram; O/NEAP:Silver; M/Cont:RBogardus ISO:Eslick; GC:Wilkins

DECLASSIFIED

UNCLASSIFIED

The Department and ICA request clarification on two points in the Minutes. The first is on the question of availability of LARC funds for the support of primary and secondary school facilities. The Minutes reflect contradictory opinions on this subject. The second point is the Gordon statement on page 8 of the Minutes that "There is no limitation upon the amount of money we get for technical assistance programs." It is assumed that this remark refers to the existence of a certain degree of flexibility in the use of funds allotted for training, supplies and equipment and technicians within the limits of the amount approved for the Technical Cooperation Program in Libya. It might be well to explain this point more fully to LARC.

The projects approved by LARC on May 3 and 4 appear in general to be in line with "economic development" specified in the September 9 Economic Assistance Agreement with the following exceptions:

(1) Minerals Survey: The proposal for a minerals survey which is mentioned on page 8 of the Minutes should be examined carefully to determine whether such a survey would be of any real economic benefit. Before LARC definitely embarks on such a program, the Department and ICA believe that a careful investigation of previous Italian efforts in this field should be made. The presumption here is the possibility of discovery of significant mineral resources in Libya (excluding petroleum) is not good.

(2) Tripoli Power Plant: The Department and ICA have understood that a loan from a non-U.S. source would be encouraged for financing the purchase of the power plant (see DEPTEL 329).

(3) Trachoma Control: Such a project appears to be outside the meaning of "economic development" as envisaged in the September 9 Agreement.

(4) Establishment of a University: The Department questions whether Libya is sufficiently developed to maintain a "University" or even a junior college. In any case no further action should be taken until the team from the University of Nevada has made its survey and recommendations.

Further detail is also requested on the origin of the proposal to use LARC funds for the Suk el Giuma Highway, and the reason why LARC is to bear the cost of the full length of the right of way.

If the earmarking and allotment notification as well as periodic progress statements can be reported to ICA, requirements for reporting on the use of MSA funds for FY 1955 will probably be satisfied, and such reporting would also provide desired information on the use of the special funds available to LARC.

DULLES

UNCLASSIFIED